

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Martin Township</b>	County <b>Allegan</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/16/05</b>	Date Accountant Report Submitted to State: <b>2/21/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

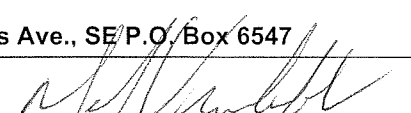
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>2330 East Paris Ave., SE P.O. Box 6547</b>		City <b>Grand Rapids</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49516-6547</b>	Date <b>2/10/06</b>

**TOWNSHIP OF MARTIN, MICHIGAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

# TOWNSHIP OF MARTIN

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# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

December 16, 2005

Members of the Township Board  
Township of Martin  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin Township, Allegan County Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Martin Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Martin Township as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin Township's basic financial statements. The combining and individual financial statements and schedules are presented for purposes of additional analysis and are not a required part of the Township's basic financial statements. The combining and individual financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

## Management's Discussion and Analysis

As management of Martin Township, we offer readers of Martin Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Significant purchases of fire and rescue equipment were financed with grant funding.
- The Township invested approximately \$180,000 in road paving projects.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Martin Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of Martin Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government administration, library, public works including street maintenance, public safety and recreation and cultural activities.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following five funds: general, library, road, fire protection, and cemetery.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 10-17 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the Township's own programs.

The fiduciary fund financial statement can be found on page 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-26 of this report.

Combining and individual fund statements and schedules can be found on pages 27-31 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,150,732 at the close of the most recent fiscal year.

A significant portion of the Township's net assets reflects unrestricted net assets which are available for future operation while another portion of net assets is invested in capital assets (e.g., land, buildings, vehicles and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Martin Township's Net Assets

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 842,790	\$ 943,426
Capital assets	<u>678,242</u>	<u>409,393</u>
<b>Total assets</b>	<b><u>1,521,032</u></b>	<b><u>1,352,819</u></b>
Long-term liabilities outstanding	-	25,927
Other liabilities	<u>370,300</u>	<u>451,539</u>
<b>Total liabilities</b>	<b><u>370,300</u></b>	<b><u>477,466</u></b>
Net assets:		
Invested in capital assets, net of related debt	652,315	358,887
Restricted	7,801	-
Unrestricted	<u>490,616</u>	<u>516,466</u>
<b>Total net assets</b>	<b><u>\$ 1,150,732</u></b>	<b><u>\$ 875,353</u></b>

Net assets of the Township increased by \$275,379 primarily due to the large investment in both fire and rescue equipment and road improvements which will be depreciated over their estimated useful lives.

## Martin Township Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Revenue:		
Program revenue:		
Charges for services	\$ 75,059	\$ 83,130
Operating grants and contributions	6,942	13,211
Capital grants and contributions	<u>133,579</u>	<u>6,159</u>
<b>Total program revenue</b>	<b><u>215,580</u></b>	<b><u>102,500</u></b>
General revenue:		
Property taxes	315,477	314,874
State shared revenues	157,820	158,541
Other	<u>12,088</u>	<u>5,217</u>
<b>Total general revenue:</b>	<b><u>485,385</u></b>	<b><u>478,632</u></b>
<b>Total revenue</b>	<b><u>700,965</u></b>	<b><u>581,132</u></b>
Expenses:		
Legislative	16,043	14,425
General government	137,955	131,900
Public safety	168,723	80,467
Public works	65,100	19,938
Culture and recreation	34,994	41,416
Interest	<u>2,771</u>	<u>4,049</u>
<b>Total expenses</b>	<b><u>425,586</u></b>	<b><u>292,195</u></b>
Increase in net assets	275,379	288,937
Net assets – beginning of year	<u>875,353</u>	<u>586,416</u>
<b>Net assets – end of year</b>	<b><u>\$ 1,150,732</u></b>	<b><u>\$ 875,353</u></b>

### Governmental activities

During the year the Township invested \$168,723 or 40% of governmental activities expenses in public safety. General government, which includes general Township operations was \$137,955 or 32% of governmental activities expenses while legislative, public works, culture and recreation and interest on long-term debt made up the remaining 28% of governmental activities expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



**Governmental funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$498,417, a decrease of \$18,049 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$236,691. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures.

The fund balance of the Township's general fund increased by \$31,968 during the current fiscal year.

The library, road and fire protection funds had fund balances of \$217,710, \$6,311 and \$0, respectively.

### **General Fund Budgetary Highlights**

There were no differences between the original and final amended budgets for expenditures.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$678,242 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and vehicles and infrastructure. Significant capital purchases during the year consisted primarily of infrastructure improvements and fire equipment.

#### **Martin Township Capital Assets** (net of depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 24,100	\$ 24,100
Buildings	95,040	101,467
Equipment and vehicles	354,491	256,918
Infrastructure	<u>204,611</u>	<u>26,908</u>
<b>Total</b>	<b><u>\$ 678,242</u></b>	<b><u>\$ 409,393</u></b>

Additional information on the Township capital assets can be found in Note 4 on pages 25 and 26 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total debt outstanding of \$25,927 as follows:

**Martin Township Long-term Debt**

	<u><b>Governmental Activities</b></u>
Capital lease	\$ <u>25,927</u>

The City's total debt decreased by \$24,579 during the current fiscal year.

Additional information on the Township's long-term debt can be found in Note 6 on page 26 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Township's budget for the 2005-06 fiscal year:

- Increased property tax revenue due to increased taxable values.
- Flat state revenue sharing payments due to state budget issues.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk, 958 Lee Street, P.O. Box 27, Martin, Michigan, 49070.

**TOWNSHIP OF MARTIN**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 790,072
Accounts receivable	2,000
Due from other governments	50,718
Capital assets, net	
Land	24,100
Buildings, equipment and infrastructure, net	<u>654,142</u>
<b>Total assets</b>	<u>1,521,032</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	4,197
Unearned revenue	340,176
Noncurrent liabilities:	
Due within one year	<u>25,927</u>
<b>Total liabilities</b>	<u>370,300</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	652,315
Restricted for:	
Roads	6,311
Cemetery	1,490
Unrestricted	<u>490,616</u>
<b>Total net assets</b>	<u><u>\$ 1,150,732</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MARTIN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 16,043	\$ -	\$ -	\$ -	\$ (16,043)
General government	137,955	16,043	6,742	-	(115,170)
Public safety	168,723	38,142	-	133,579	2,998
Public works	65,100	-	200	-	(64,900)
Culture and recreation	34,994	20,874	-	-	(14,120)
Interest on long-term debt	<u>2,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,771)</u>
Total governmental activities	<u>\$425,586</u>	<u>\$ 75,059</u>	<u>\$ 6,942</u>	<u>\$ 133,579</u>	<u>(210,006)</u>
General revenues:					
Property taxes					
General operating					315,477
State shared revenues					157,820
Interest earnings					<u>12,088</u>
Total general revenues					<u>485,385</u>
Change in net assets					275,379
Net assets, beginning of year					<u>875,353</u>
Net assets, end of year					<u>\$ 1,150,732</u>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## BALANCE SHEET GOVERNMENTAL FUNDS

**JUNE 30, 2005**

	Special Revenue Funds				Permanent Fund	Total
	General	J.C. Wheeler Library Fund	Road Fund	Fire Protection	Cemetery Fund	Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 277,448	\$ 217,332	\$ 231,782	\$ 62,020	\$ 1,490	\$ 790,072
Accounts receivable	-	2,000	-	-	-	2,000
Due from other governmental units	50,718	-	-	-	-	50,718
<u>TOTAL ASSETS</u>	<u>\$ 328,166</u>	<u>\$ 219,332</u>	<u>\$ 231,782</u>	<u>\$ 62,020</u>	<u>\$ 1,490</u>	<u>\$ 842,790</u>
<u>LIABILITIES AND FUND EQUITY</u>						
LIABILITIES						
Accounts payable	\$ 1,922	\$ 1,622	\$ -	\$ 653	\$ -	\$ 4,197
Deferred revenue	53,338	-	225,471	61,367	-	340,176
<u>TOTAL LIABILITIES</u>	<u>55,260</u>	<u>1,622</u>	<u>225,471</u>	<u>62,020</u>	<u>-</u>	<u>344,373</u>
FUND BALANCES						
Perpetual care	-	-	-	-	1,460	1,460
Unreserved:						
Designated	36,215	-	-	-	-	36,215
Undesignated	236,691	217,710	6,311	-	30	460,742
<u>TOTAL FUND BALANCES</u>	<u>272,906</u>	<u>217,710</u>	<u>6,311</u>	<u>-</u>	<u>1,490</u>	<u>498,417</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 328,166</u>	<u>\$ 219,332</u>	<u>\$ 231,782</u>	<u>\$ 62,020</u>	<u>\$ 1,490</u>	<u>\$ 842,790</u>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

**JUNE 30, 2005**

Fund balances - total governmental funds	\$ 498,417
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets (net)	678,242
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - notes payable	<u>(25,927)</u>
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Net assets of governmental activities	<u><u>\$ 1,150,732</u></u>
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The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## STATEMENT OF REVENUES, EXPENDITURES, AND AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED JUNE 30, 2005**

	General Fund	Special Revenue Funds J.C. Wheeler Library Fund	Road Fund	Fire Protection	Permanent Fund Cemetery Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 68,179	\$ -	\$ 191,130	\$ 56,168	\$ -	\$ 315,477
Licenses and permits	18,892	-	-	-	-	18,892
State shared revenues	155,018	2,803	-	-	-	157,821
Federal revenue	-	-	-	133,579	-	133,579
Contributions from local unit	-	-	-	19,250	-	19,250
Contributions from private individuals	-	-	200	-	-	200
Fines and forfeitures	-	20,874	-	-	-	20,874
Charges for services	12,520	-	-	-	-	12,520
Interest and rentals	8,323	3,042	828	1,224	21	13,438
Miscellaneous	8,629	286	-	-	-	8,915
<b>TOTAL REVENUES</b>	<b>271,561</b>	<b>27,005</b>	<b>192,158</b>	<b>210,221</b>	<b>21</b>	<b>700,966</b>
EXPENDITURES						
Current						
Legislative	16,043	-	-	-	-	16,043
Public safety	44,078	-	-	216,869	-	260,947
Public works	9,961	-	232,842	-	-	242,803
Recreation and culture	212	34,782	-	-	-	34,994
Debt Service						
Principal	-	-	-	24,579	-	24,579
Interest	-	-	-	2,771	-	2,771
Capital outlay	5,350	-	-	-	-	5,350
<b>TOTAL EXPENDITURES</b>	<b>207,172</b>	<b>34,782</b>	<b>232,842</b>	<b>244,219</b>	<b>-</b>	<b>719,015</b>
REVENUES OVER (UNDER) EXPENDITURES	64,389	(7,777)	(40,684)	(33,998)	21	(18,049)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	32,421	-	32,421
Transfers (out)	(32,421)	-	-	-	-	(32,421)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(32,421)</b>	<b>-</b>	<b>-</b>	<b>32,421</b>	<b>-</b>	<b>-</b>
NET CHANGES IN FUND BALANCES	31,968	(7,777)	(40,684)	(1,577)	21	(18,049)
FUND BALANCES, BEGINNING OF YEAR	240,938	225,487	46,995	1,577	1,469	516,466
FUND BALANCES, END OF YEAR	\$272,906	\$ 217,710	\$ 6,311	\$ -	\$ 1,490	\$ 498,417

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ (18,049)
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Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	319,786
Deduct - depreciation expense	(50,937)

Repayment of principal on long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	<u>24,579</u>
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Change in net assets of governmental activities	<u><u>\$ 275,379</u></u>
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The accompanying notes are an integral part of these financial statements.



# TOWNSHIP OF MARTIN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 72,650	\$ 72,650	\$ 68,179	\$ (4,471)
Licenses and permits	22,500	22,500	18,892	(3,608)
State shared revenues	157,900	157,900	155,018	(2,882)
Charges for services	15,000	15,000	12,520	(2,480)
Interest and rentals	6,000	6,000	8,323	2,323
Miscellaneous	9,660	9,660	8,629	(1,031)
<b>TOTAL REVENUES</b>	<b>283,710</b>	<b>283,710</b>	<b>271,561</b>	<b>(12,149)</b>
<b>EXPENDITURES</b>				
Current				
Legislative	23,400	23,400	16,043	7,357
General government	143,660	143,660	131,528	12,132
Public safety	55,900	55,900	44,078	11,822
Public works	1,750	1,750	9,961	(8,211)
Recreation and culture	750	750	212	538
Capital outlay	7,000	7,000	5,350	1,650
<b>TOTAL EXPENDITURES</b>	<b>232,460</b>	<b>232,460</b>	<b>207,172</b>	<b>25,288</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>51,250</b>	<b>51,250</b>	<b>64,389</b>	<b>13,139</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	(25,799)	(25,799)	(32,421)	(6,622)
<b>NET CHANGES IN FUND BALANCE</b>	<b>25,451</b>	<b>25,451</b>	<b>31,968</b>	<b>6,517</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>240,938</b>	<b>240,938</b>	<b>240,938</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 266,389</b>	<b>\$ 266,389</b>	<b>\$ 272,906</b>	<b>\$ 6,517</b>

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## J.C. WHEELER LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
State shared revenue	\$ 1,800	\$ 1,800	\$ 2,803	\$ 1,003
Fines and forfeitures	20,000	20,000	20,874	874
Interest and rentals	-	-	3,042	3,042
Miscellaneous	-	-	286	286
TOTAL REVENUES	21,800	21,800	27,005	5,205
EXPENDITURES				
Current				
Recreation and culture	42,860	42,860	34,782	8,078
REVENUES OVER (UNDER) EXPENDITURES	(21,060)	(21,060)	(7,777)	13,283
OTHER FINANCING SOURCES				
Transfers in	21,060	21,060	-	(21,060)
NET CHANGES IN FUND BALANCE	-	-	(7,777)	(7,777)
FUND BALANCE, BEGINNING OF YEAR	225,487	225,487	225,487	-
FUND BALANCE, END OF YEAR	\$ 225,487	\$ 225,487	\$ 217,710	\$ (7,777)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## ROAD FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 190,000	\$ 190,000	\$ 191,130	\$ 1,130
Contributions from private individuals	15,600	15,600	200	(15,400)
Interest and rentals	-	-	828	828
TOTAL REVENUES	205,600	205,600	192,158	(13,442)
EXPENDITURES				
Current				
Highways and streets				
Local roads	190,000	190,000	232,842	(42,842)
NET CHANGES IN FUND BALANCE	15,600	15,600	(40,684)	(56,284)
FUND BALANCE, BEGINNING OF YEAR	46,995	46,995	46,995	-
FUND BALANCE, END OF YEAR	\$ 62,595	\$ 62,595	\$ 6,311	\$ (56,284)

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF MARTIN

## FIRE PROTECTION STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 61,400	\$ 61,400	\$ 56,168	\$ (5,232)
Federal revenue	148,000	148,000	133,579	(14,421)
Contributions from local unit	20,000	20,000	19,250	(750)
Interest and rentals	-	-	1,224	1,224
TOTAL REVENUES	229,400	229,400	210,221	(19,179)
EXPENDITURES				
Current				
Fire Protection	243,100	243,100	216,869	26,231
Debt Service				
Principal	24,580	24,580	24,579	1
Interest	2,771	2,771	2,771	-
TOTAL EXPENDITURES	270,451	270,451	244,219	26,232
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	32,421	32,421
NET CHANGES IN FUND BALANCE	(41,051)	(41,051)	(1,577)	39,474
FUND BALANCE, BEGINNING OF YEAR	1,577	1,577	1,577	-
FUND BALANCE, END OF YEAR	\$ (39,474)	\$ (39,474)	\$ -	\$ 39,474

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MARTIN**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2005**

	<u>ASSETS</u>	<u>Agency Funds</u>
Cash and cash equivalents		<u>\$ 47,525</u>
	<u>LIABILITIES</u>	
Due to other governmental units		<u>\$ 47,525</u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Martin was incorporated as a Township in 1984, under the provisions of Act 279, P.A. 1909 as amended (Home Rule Township Act). The Township operates under a Board-manager form of government and provides the following services as authorized by its charter: general administrative services, public safety, highway and street maintenance, health, culture, recreation and other governmental functions.

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township. There are no entities which have significant operational or financial relationships with the Township which should be included as component units.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

***Governmental Funds***

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The J.C. Wheeler Library Fund – The J.C. Wheeler Library Fund accounts for the operations of the Township library. This fund is primarily funded through a county-wide tax levy and penal fines.

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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Road Fund – The Road Fund is used to account for the revenues received from property taxes which are specifically earmarked for construction and maintenance of roads in the Township.

The Fire Protection Fund – the fire protection fund accounts for the revenues received from property taxes which are legally restricted for fire protection activities.

Cemetery Permanent Fund – the cemetery permanent fund accounts for the corpus of trust for which only interest on the corpus may be expensed for cemetery maintenance.

Additionally, the Township reports the following fund types.

Agency Funds - Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the correct period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the correct fiscal period. Property taxes are recorded in the year for which they are levied. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds as required by generally accepted accounting principles. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. The proposed budget is on file for public inspection in the office of the Township clerk for a period of not less than one week prior to adoption.
3. A public hearing regarding the proposed budget is held before the budget is legally adopted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and all special revenue funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed during the year ended June 30, 2005. Any amendment to the original budget must meet the requirements of Public Act 621. The Township did not amend its budget for the year ended June 30, 2005. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted by the Township Board.

***Cash and Cash Equivalents***

The Township considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Township is authorized by state law and the governing body to invest surplus funds, in the following:

- Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.



**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

***Receivables***

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balance is considered to be immaterial at year end.

***Due To and Due From Other Funds***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	15-50
Equipment/vehicles	5-40
Infrastructure	40

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Deferred Revenue***

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was for property taxes levied, totaling \$340,176, which are intended to support 2006 operations.

***Fund Equity***

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

The following designations had been made by the Board at year-end:

	<b><u>General Fund</u></b>
Cemetery Sinking	\$ <u>36,215</u>
<b>Total</b>	<b>\$ <u>36,215</u></b>

***Property Taxes***

The Township bills and collects its own property taxes which are levied December 1 and payable February 14 (75 days after the date levied). The Township also collects taxes for other governmental units which are payable on July 1 and December 1. Property tax revenues are recognized as revenue in the year subsequent to the year in which they are levied.

***Long-Term Obligations***

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in governmental activities. For new debt issuances after the implementation of GASB Statement No. 34, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Debt payable is reported net of the applicable premium or discount.

***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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***Interfund Transactions***

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the Township. Transfers for the year were as follows:

A transfer of \$32,421 was made from the General Fund to the Fire Protection Fund to subsidize fire department activities.

***Vacation, Sick Leave and Other Compensated Absences***

Accumulated vacation, sick leave, or other compensation at June 30, 2005 was immaterial.

***Risk Management***

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level.

During the year ended June 30, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
<u>General Fund</u>			
General Government			
Township hall and grounds	\$ 10,110	\$ 10,368	\$ (258)
Public Works			
Refuse	1,500	9,800	(8,300)
<u>Road Fund</u>			
Local roads	190,000	232,842	(42,842)

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**3. DEPOSITS**

The captions on the statement of net assets relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 790,072	\$ 47,525	\$ 837,597

Cash and cash equivalents consist of deposits in one (1) financial institution located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value. Interest is recorded when earned.

**Investment and Deposit Risk**

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$761,455 of the Township's bank balance of \$861,455 was exposed to credit risk because it was uninsured and uncollateralized.

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 24,100	\$ -	\$ -	\$ 24,100
Capital assets, being depreciated				
Buildings	260,000	-	-	260,000
Equipment and vehicles	372,423	136,819	-	509,242
Infrastructure	27,598	182,967	-	210,565
Total capital assets, being depreciated	660,021	319,786	-	979,807
Less accumulated depreciation for:				
Buildings	158,533	6,427	-	164,960
Equipment and vehicles	115,505	39,246	-	154,751
Infrastructure	690	5,264	-	5,954
Total accumulated depreciation	274,728	50,937	-	325,665
Net capital assets, being depreciated	385,293	268,849	-	654,142
Governmental activities capital assets, net	\$ 409,393	\$ 268,849	\$ -	\$ 678,242

**TOWNSHIP OF MARTIN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 6,427
Public works	5,264
Public safety	<u>39,246</u>
 Total depreciation expense	
- governmental activities	<u>\$ 50,937</u>

**5. DEFINED CONTRIBUTION PENSION PLAN**

The information for the Township's defined contribution pension plan is as of December 31, 2004, which is the most recent information available.

***Plan Description***

The Township provides pension benefits for all its elected officials, librarian, and sextant through a defined contribution plan. The plan is a nontrustee plan, and the Township does not administer the plan assets. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigned the authority to establish and amend benefit provisions to the Township Board of trustees. Officials are eligible to participate from the date of employment and are fully vested immediately. The Township contributes approximately 4.5% of salary yearly for each trustee and employee into the plan. The Township made the required contribution of \$4,500 during the year ended June 30, 2005.

**6. LONG-TERM DEBT**

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due Within</u> <u>One Year</u>
7.5% capital lease for the purchase of a fire truck with Kansas State Bank of Manhattan, payable in annual installments of \$27,350 through 2006	<u>\$ 50,506</u>	<u>\$ (24,579)</u>	<u>\$ 25,927</u>	<u>\$ 25,927</u>

The annual requirements to amortize all debt as of June 30, 2005 are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	<u>\$25,927</u>	<u>\$1,423</u>

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# TOWNSHIP OF MARTIN

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 53,300	\$ 53,300	\$ 49,933	\$ (3,367)
Tax collection fees	19,000	19,000	18,246	(754)
Trailer park fees	350	350	-	(350)
Total taxes	72,650	72,650	68,179	(4,471)
Licenses and Permits:				
Building and zoning fees	22,500	22,500	18,892	(3,608)
State Shared Revenues:				
State grants	157,900	157,900	155,018	(2,882)
Charges for Services:				
Burial fees	14,000	14,000	12,006	(1,994)
Foundations	1,000	1,000	514	(486)
Total Charges for Services	15,000	15,000	12,520	(2,480)
Interest and rentals:				
Interest	5,000	5,000	6,973	1,973
Building rentals	1,000	1,000	1,350	350
Total interest and rentals	6,000	6,000	8,323	2,323
Miscellaneous	9,660	9,660	8,629	(1,031)
TOTAL REVENUES	283,710	283,710	271,561	(12,149)

(Continued)

# TOWNSHIP OF MARTIN

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
LEGISLATIVE				
Legislative - board	\$ 23,400	\$ 23,400	\$ 16,043	\$ 7,357
GENERAL GOVERNMENT:				
Township supervisor	15,000	15,000	13,700	1,300
Elections and registrations	5,350	5,350	4,461	889
Clerk	18,050	18,050	16,566	1,484
Board of review	1,600	1,600	509	1,091
Assessor	16,800	16,800	16,049	751
Treasurer	18,700	18,700	17,553	1,147
Township hall and grounds	10,110	10,110	10,368	(258)
Cemetery	30,300	30,300	27,548	2,752
Other general services	27,750	27,750	24,774	2,976
Total general government	143,660	143,660	131,528	12,132
PUBLIC SAFETY:				
Ambulance	6,000	6,000	6,000	-
Zoning and planning	49,900	49,900	38,078	11,822
Total public safety	55,900	55,900	44,078	11,822
PUBLIC WORKS:				
Street lighting	250	250	161	89
Highways and streets	-	-	-	-
Refuse	1,500	1,500	9,800	(8,300)
Total public works	1,750	1,750	9,961	(8,211)

(Continued)

# TOWNSHIP OF MARTIN

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - COMPARED TO BUDGET (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
RECREATION AND CULTURE:				
Parks and recreation	\$ 750	\$ 750	\$ 212	\$ 538
TOTAL CURRENT EXPENDITURES	225,460	225,460	201,822	23,638
CAPITAL OUTLAY	7,000	7,000	5,350	1,650
TOTAL EXPENDITURES	232,460	232,460	207,172	25,288
REVENUE OVER (UNDER) EXPENDITURES	51,250	51,250	64,389	13,139
OTHER FINANCING SOURCES (USES):				
Transfer (out)	(25,799)	(25,799)	(32,421)	(6,622)
NET CHANGES IN FUND BALANCE	25,451	25,451	31,968	6,517
FUND BALANCE - BEGINNING OF YEAR	240,938	240,938	240,938	-
FUND BALANCE - END OF YEAR	\$ 266,389	\$ 266,389	\$ 272,906	\$ 6,517

(Concluded)



***TOWNSHIP OF MARTIN***

***FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS***

***JUNE 30, 2005***

	<u>AGENCY FUNDS</u>		<u>TOTAL</u>
	<u>CURRENT TAX COLLECTION FUND</u>	<u>PAYROLL AND TRAILER TAX FUND</u>	
<u>ASSETS</u>			
Cash and cash equivalents	<u>\$ 45,056</u>	<u>\$ 2,469</u>	<u>\$ 47,525</u>
<u>LIABILITIES</u>			
Due to other governmental units	<u>\$ 45,056</u>	<u>\$ 2,469</u>	<u>\$ 47,525</u>

**TOWNSHIP OF MARTIN**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	BALANCE JULY 1, 2004			BALANCE JUNE 30, 2005		
		ADDITIONS	DEDUCTIONS			
<u>CURRENT TAX COLLECTION FUND</u>						
ASSETS						
Cash and cash equivalents	\$ 320,336	\$ 1,807,101	\$ 2,082,381	\$		45,056
<u>TOTAL ASSETS</u>	<u>\$ 320,336</u>	<u>\$ 1,807,101</u>	<u>\$ 2,082,381</u>	<u>\$</u>		<u>45,056</u>
LIABILITIES						
Due to other funds	\$ 294,568	\$ 315,718	\$ 610,286	\$		-
Due to other governmental units	22,705	1,455,758	1,433,407			45,056
Accounts payable	3,063	15,537	18,600			-
<u>TOTAL LIABILITIES</u>	<u>\$ 320,336</u>	<u>\$ 1,787,013</u>	<u>\$ 2,062,293</u>	<u>\$</u>		<u>45,056</u>
<u>PAYROLL AND TRAILER TAX FUND</u>						
ASSETS						
<u>TOTAL ASSETS</u>	<u>\$ 169</u>	<u>\$ 33,703</u>	<u>\$ 31,403</u>	<u>\$</u>		<u>2,469</u>
LIABILITIES						
Due to other governmental units	\$ 169	\$ 33,703	\$ 31,403	\$		2,469
<u>TOTAL LIABILITIES</u>	<u>\$ 169</u>	<u>\$ 33,703</u>	<u>\$ 31,403</u>	<u>\$</u>		<u>2,469</u>
<u>TOTALS - ALL AGENCY FUNDS</u>						
ASSETS						
Cash and cash equivalents	\$ 320,505	\$ 1,840,804	\$ 2,113,784	\$		47,525
<u>TOTAL ASSETS</u>	<u>\$ 320,505</u>	<u>\$ 1,840,804</u>	<u>\$ 2,113,784</u>	<u>\$</u>		<u>47,525</u>
LIABILITIES						
Due to other funds	\$ 294,568	\$ 315,718	\$ 610,286	\$		-
Due to other governmental units	22,874	1,489,461	1,464,810			47,525
Accounts payable	3,063	15,537	18,600			-
<u>TOTAL LIABILITIES</u>	<u>\$ 320,505</u>	<u>\$ 1,820,716</u>	<u>\$ 2,093,696</u>	<u>\$</u>		<u>47,525</u>



# REHMANN ROBSON

*Certified Public Accountants*

*A member of* THE REHMANN GROUP

An Independent Member of Baker Tilly International

December 16, 2005

Martin Township Board  
Township of Martin, Michigan

In planning and performing our audit of the Township of Martin for the year ended June 30, 2005, we considered the Township's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 16, 2005, on the financial statements of the Township of Martin.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

## **ACCOUNTING PROCESS AND SYSTEM**

During our audit of the Township we noted that most of the accounting transactions associated with the Fire Protection activities were being recorded in the general fund on the accounting system. This results in year end adjustments which move these transactions to the appropriate special revenue fund as required by state law. To better provide timely information on available balances and activity throughout the year, we suggest that the Road and Fire Protection activities be recorded directly into the appropriate special revenue funds.

During our audit we noted that tax payments were not always being made in a timely manner. We suggest that the legal requirements be reviewed for the various tax payments so that payments are made as required..

## **POLICIES AND PROCEDURES**

We noted during our review of internal controls that the policies of the Township are not formally documented. We noted specifically that policies relating to payroll, cash collections, and cash disbursements are not formally documented. Having well documented policies in all of the Township's operations is important to ensuring consistent treatment of accounting transactions as well as providing for smooth transfers of duties in case of vacations, illness, or turnover. We recommend the Township document and periodically update the policies and procedures of all Township activities. We further recommend the Township Board review them to ensure the Board approves of the ways in which the Township conducts its business.

## **INTERNAL CONTROLS**

During our audit we noted that the Township was not recording the transactions of the agency funds on the general ledger. We believe that the process of recording agency fund transactions on the general ledger would significantly improve the internal controls over the property tax collection process. We suggest that the agency fund transactions be recorded at least monthly on the general ledger.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the general ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of accounting duties substantially increases control over errors without duplication of effort. During our audit we noted that the tax collection bank account required only one signature on checks to authorize payments. In addition, we noted that the same person authorizing payments was reconciling the bank account and maintaining accounting records. We suggest two signature be required to authorize payments, that the reconciliation of this account be performed monthly by someone other than the individuals responsible for tax collections and that the agency fund transactions be recorded at least monthly on the general ledger

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